

Genesis Gas & Oil Colorado, LLC

“The Breaks” Natural Gas Exploration Plan

Background

In 2006, Genesis Gas & Oil Colorado LLC (Genesis) acquired 23 Oil and Gas leases totaling 27,000 acres in the Grand Mesa area of Mesa County, Colorado. The leases fall within the watersheds of the City of Grand Junction, the Town of Palisade, and Mesa. Due to concerns raised by the City of Grand Junction and the Town of Palisade regarding watershed protection, BLM applied a no-surface-occupancy stipulation over a portion of the leases that was considered especially at risk for contamination of ground and surface waters, and suspended the leases for one year while stakeholders joined together to develop the non-binding *Watershed Plan for the Town of Palisade and the City of Grand Junction, Colorado*.

As part of the watershed planning process, Genesis agreed to begin development of the Mesa County leases outside the watersheds of the City of Grand Junction and the Town of Palisade. Genesis is currently proposing to begin lease exploration by drilling 5 pilot natural gas wells and constructing associated pads and access roads east of the City of Grand Junction and Town of Palisade watersheds, in the Mesa Basin. The results of this exploratory phase will help determine how lease development proceeds. The project is called “The Breaks”. A description of the proposed project is provided below, followed by an overview of the *Watershed Plan* and the steps Genesis and stakeholders have taken to protect resources and the human environment in the lease areas.

Project Description

Project Overview

To explore the natural gas resource in their leases, Genesis proposes to construct 4 well pads and reuse an abandoned pad for the installation of 5 vertical natural gas wells. Of the 5 proposed well pads, 3 would be situated on the east and 2 on the west side of CO Highway 65 and Mesa Village. Proposed access to the well locations would travel on Mesa County Roads to BLM land, with some approved access through private property. Approximately 6.8 miles of existing unpaved roads and 3.5 miles of new unpaved road construction would be used to access all 5 well sites. If the wells are productive, pipelines would be buried underground for gathering and transporting natural gas to existing distribution pipelines. If a high volume of wastewater is produced during operation, it either would be trucked offsite to a certified disposal site or piped through buried lines and re-injected underground. If the wells are productive, two gas compressor stations would be built, one to the east and one to the west of Mesa. These compressor stations would function to compress the natural gas for entry into the existing distribution lines.

Pads and Wells

Construction of the 4 well pads and renovation of the existing pad would result in approximately 21.9 acres of short-term surface disturbance (see Table 1). Within approximately six months of well completion, all disturbed surface that would not be used during the production phase of the well would be recontoured and revegetated. Approximately 2.1 acres would remain unreclaimed

during the life of the wells, constituting long-term disturbance. After the wells have ceased production, they would be plugged and the remaining disturbed surface revegetated.

Table 1. Pad size and surface disturbance

Well Pad	Pad Dimensions (ft)	Short-term Pad Disturbance (ac)	Long-term Pad Disturbance (ac)
11-97 2-33	300' x 500'	5.9	0.5
11-97 1-23	240' x 340'	3.2	0.3
11-96 3-23	300' x 500'	5.2	0.4
11-96 3-54	200' x 300'	2.4	0.5
11-96 2-33	300' x 500'	5.2	0.4
	Totals	21.9	2.1

Access

Proposed Access

Proposed access to the western wells would be off of 47 4/10 Road near Barney Hill. Just east of Barney Hill, new access would turn north off of 47 4/10 Road onto BLM land, cross briefly onto private where the road would be gated, and then re-enter BLM. After leaving 47 4/10 Road, approximately 1.4 miles of new access would be constructed to reach pad 11-97 1-23. From that pad, access to pad 11-97 2-33 would be on 1.1 miles of an existing two-track that would require some improvement.

Access to 47 4/10 Road would be via two routes, depending on vehicle size. During the construction phase, large equipment would travel from State Highway 65 to KE Road West to 48 1/2 Road and then to 47 4/10 Road. Smaller vehicles (pick-up trucks) used during construction and operation would travel from State Highway 65 to IE Road to 48 2/10 Road to 48 1/2 Road and then to 47 4/10 Road. Large equipment cannot travel via this latter route due to a very sharp turn where IE Road joins 48 1/2 Road.

Proposed access to the eastern wells would be via State Highway 65 to KE Road East to 51.1 Road (the Beehive Road). Access enters BLM Land from County Road 51.1 and travels 3.3 miles south on an existing industry road that would require some improvement. Just before reaching the South Side Canal, new access would depart from the existing access, cross the canal, and continue south for 1.5 miles before joining an existing two-track. Access would travel along the two-track for 1.1 miles up to the point where it would join an existing industry road that would then take traffic northeast to well 11-96 2-33 and southwest to well 11-96 3-54. The two-track would require some improvement.

All roads would have a 14- to 16-ft driving width, 30-ft disturbance width, and 50-ft right-of-way.

Alternative Access Under Consideration

An alternative access route to the eastern wells is under consideration. Rather than having vehicles turn east on KE Road in the center of Mesa Village, traffic would continue south on State Highway 65 and turn east on JE 1/4 Road. Not long after departing from Highway 65, JE 1/4 turns north and becomes 50 Road. Traffic would continue on 50 Road to the intersection of 50 Road and KE Road, turning east on KE Road to access 51.1 Road from the west.

Potential Changes to Existing Access from Private Land to BLM Land

To offset changes in road density on BLM land due to new access construction, there is the potential that BLM may alter existing access from private lands onto BLM lands in a variety of ways. Existing access that may be subject to change includes:

- 1) Access from the Bull Basin Road onto BLM land.
- 2) Access from the Coon Creek Road onto BLM land.
- 3) Access to the vicinity of the eastern wells from an unnamed road that departs south from JE 1/4 Road where JE 1/4 turns into 50 Road.
- 4) Access to Barney Hill from the existing Chalk Mountain Road.

Pipelines and Compressor Stations

All gas and/or wastewater pipelines would be buried underground in the proposed access road right-of-way. On the west side of Highway 65, gas pipelines would tie into the existing TransColorado Pipeline. On the east side, they would tie into the existing Rocky Mountain or Momentum Pipelines. Proposed compressor station locations would be near the tie in points for natural gas delivery where other existing infrastructure (electricity and roads) could support their function. On the west side, the proposed station would be located north of Chalk Mountain, along the TransColorado Pipeline. On the east side, the compressor station would be located along the existing Beehive Road, off a short spur road.

Schedule

Exploratory phase construction and drilling is scheduled to occur from August through October 2013. Well completions are planned for the fall of 2013 into the summer of 2014. Interim reclamation is planned for summer and fall of 2014. Possible pipeline and compressor station construction is planned for summer 2014.

Watershed Plan Overview

Development of the *Watershed Plan* was undertaken by BLM, Genesis, the City of Grand Junction, the Town of Palisade, and other stakeholders to help ensure that the outcomes of lease development within the Grand Junction and Palisade watersheds will meet or exceed the expectation of the communities. It is a voluntary, non-binding plan that outlines the goals to, “address and resolve issues and concerns within the watersheds”, to “protect air, land and water resources within the Palisade and Grand Junction watersheds”, and to provide high-priority consideration of the economic, social, and environmental wellbeing of the municipalities.

The *Watershed Plan* describes the purpose and need for the plan, the issues and concerns established by the public, and the best management practices that Genesis will employ to address these concerns throughout the lease development process. In compliance with the plan, Genesis has begun baseline water monitoring in the Grand Junction and Palisade watersheds as part of a larger program to monitor water resources before, during, and after energy development. The plan also includes a section that addresses the legal requirements that regulatory agencies such as the BLM, U.S. Forest Service, and the Colorado Oil and Gas Conservation Commission would be responsible for enforcing.

The *Watershed Plan* is available online at: <http://genesispalisadecdp.org/>